



*State of California*  
***Employment Training Panel***

*Arnold Schwarzenegger, Governor*

January 29, 2008

Roger Smith, President  
American Truck School  
8530 Commercial Way  
Redding, CA 96002

Dear Mr. Smith:

Enclosed is our final report relative to our review of American Truck School's compliance with the Employment Training Panel Agreement No. ET03-0344 for the period June 2, 2003 through June 1, 2005.

Also enclosed is a demand letter for payment of costs disallowed in the audit report. Payment is due upon receipt of this letter. If you wish to appeal the audit findings, you must follow the procedure specified in Attachment A to the audit report.

We appreciate the courtesy and cooperation extended to our auditor during the review. If you have any questions, please contact Charles Rufo, Audit Director, at (916) 327-5439.

Sincerely,

*Original signed by*

Charles Rufo  
Audit Director

Enclosures

# **AMERICAN TRUCK SCHOOL**

Agreement No. ET03-0344

Final Review Report

For The Period

June 2, 2003 through June 1, 2005

Report Published January 29, 2008

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# REVIEW REPORT

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## Summary

We reviewed American Truck School's compliance with Agreement No. ET03-0344, for the period June 2, 2003 through June 1, 2005. Our review pertained to training costs claimed by the Contractor under this Agreement. Our review was performed during the period July 6, 2006 through November 2, 2006.

The Employment Training Panel (ETP) reimbursed the Contractor a total of \$314,642. Our review supported \$311,772 is allowable. The balance of \$1,578 is disallowed and must be returned to ETP. The disallowed costs resulted from one trainee who was not employed in an occupation specified in the Agreement. Disallowed costs are offset for one Job No. 2 trainee eligible for placement who was not fully reimbursed by ETP.

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## REVIEW REPORT (continued)

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### Background

American Truck School, LLC (ATS) is a California training agency that was founded in 1997 to provide vocational instruction in commercial truck driving to qualified individuals.

This Agreement was the second training project between ETP and ATS. The school delivers training, followed by placement services designed to bring graduates and employers together, resulting in job creation for individuals who are unemployed. This Agreement provided for a truck-driver training program that included instruction in safety, vehicle inspection, preventive maintenance, shifting, speed management, turns, hazard perception, emergency maneuvers, coupling, uncoupling, fuel systems, cargo handling, trip planning, and documentation.

This Agreement allowed ATS to receive a maximum reimbursement of \$610,325 for training 200 new-hire trainees. During the Agreement term, the Contractor trained and placed 103 trainees and was reimbursed \$314,642 by ETP.

### Objectives, Scope, and Methodology

We performed our review by authority of Title 22 California Code of Regulations, Sections 4443 and 4448. Our scope was limited to reviewing the Contractor's compliance with trainee eligibility and post-training requirements specified in the Agreement. We did not review the Contractor's records for compliance with training attendance or other Agreement requirements.

Specifically, our review scope included, but was not limited to, conducting compliance tests to determine whether:

- Trainees were eligible to receive ETP training.
- Trainees were employed continuously full-time with a participating employer for 120 consecutive days (or 500 hours within 150 days with one or more employers) after completing training, and the retention period was completed within the Agreement term.
- Trainees were employed in the occupation for which they were trained and earned the minimum wage required at the end of the 90-day retention period.

### Conclusion

As summarized in Schedule 1, the Summary of Review Results, and discussed more fully in the Findings and Recommendations Section of our report, our review supported \$313,064 of the \$314,642 paid to the Contractor under this Agreement is allowable. The balance of \$1,578 is disallowed and must be returned to ETP.

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## REVIEW REPORT (continued)

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### Views of Responsible Officials

The review findings were discussed with Roger Smith, during a telephone exit conference held on November 2, 2006. Mr. Smith concurred with the audit finding and underpayment for one Job No. 2 trainee and requested ETP to bypass the draft report and issue the final audit report.

Due to an ETP staffing shortage in the Audit unit, the issuance of your Final Audit Report had been delayed. Therefore, ETP will waive the accrual of interest resulting from this audit for the disallowed costs from November 6, 2006 through the issue date of this Final Audit Report.

### Appeal Rights

If you wish to appeal the audit findings, it must be filed in writing with the Panel's Executive Director within 30 days of receipt of this audit report. The proper appeal procedure is specified in Title 22, California Code of Regulations, Section 4450 (attached).

### Records

Please note the ETP Agreement, Paragraph 5 a.1., requires you to assure ETP or its representative has the right, "...to examine, reproduce, monitor and audit accounting source payroll documents, and all other records, books, papers, documents or other evidence directly related to the performance of this Agreement by the Contractor... This right will terminate no sooner than four (4) years from the date of termination of the Agreement or three (3) years from the date of the last payment from ETP to the Contractor, or the date of resolution of appeals, audits, or litigation, whichever is later."

Charles Rufo  
Audit Director

Fieldwork Completion Date: November 2, 2006

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## SCHEDULE 1 – Summary of Review Results

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### AMERICAN TRUCK SCHOOL, LLC

AGREEMENT NO. ET03-0344

FOR THE PERIOD

JUNE 2, 2003 THROUGH JUNE 1, 2005

	<u>Amount</u>	<u>Reference*</u>
Training Costs Paid By ETP	<u>\$314,642</u>	
Disallowed Costs:		
Ineligible Trainee Occupation	\$2,870	Finding No. 1
Underpayment for One Job No. 2 Trainee	<u>(1,292)</u>	Finding No. 2
Total Costs Disallowed	<u>\$1,578</u>	
Training Costs Allowed	<u>\$313,064</u>	

\* See Findings and Recommendations Section.

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## FINDINGS AND RECOMMENDATIONS

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**FINDING NO. 1 –** American Truck School, LLC (ATS) claimed reimbursement for one Ineligible Trainee Occupation Job No. 1 trainee who was not employed in an occupation for which training was provided. As a result, we have disallowed \$2,870 in training costs claimed for this trainee.

Exhibit A, VII. A. of the Agreement states, “Employment for each trainee shall be in the occupations listed in [the Agreement]...” The only occupation identified for Job No. 1 was “Commercial Truck Driver.” Furthermore, the training funded by ETP required trainees to pass the Department of Motor Vehicles (DMV) test, either Class A or Class B license.

Trainee No. 1 was employed with Vertex, Inc. during the post-training retention period reported as October 1, 2004, through February 28, 2005. The employer indicated the trainee was employed as a “Retention Specialist/Cable Technician”. This position requires door-to-door cable television debt collection and does not involve any commercial truck driving. Thus, the trainee was not employed in an occupation for which training was provided.

**Recommendation** ATS must return \$2,870 to ETP. If it should enter into any future Agreement with ETP, the Contractor should ensure that trainees receiving training are employed in an occupation specified in the Agreement before claiming reimbursement from ETP.



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## FINDINGS AND RECOMMENDATIONS (continued)

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**FINDING NO. 2 –** ETP partially denied reimbursement for one Job No. 2 trainees who  
Underpayment for was placed with a participating employer who was believed to have  
One Job No. 2 been subject to a 30 percent substantial contribution. However, the  
Trainee participating employer for this Agreement was not subject to a  
substantial contribution. As a result, we offset previously  
disallowed costs by \$1,292 for one trainee.

Title 22 California Code of Regulations, Section 4410 (a) states that a substantial contribution of not less than 30 percent of the total Panel training and administrative costs, ...shall be imposed on any employer for retraining at a facility which previously benefited, directly or indirectly, from Panel funding under at least two prior Panel agreements at the same facility in the amount of \$250,000 or more.

This Agreement was for only new-hire training. The training reimbursement for Trainee No. 2 was incorrectly reduced by 30 percent, which would have been applicable if this trainee placement was a retrainee. Thus, reimbursement was not made in the amount specified in the Agreement.

**Recommendation** ETP should offset previously disallowed costs from ATS by \$1,292. In the future, both ETP and the Contractor should ensure Agreement terms are consistent with Title 22 CCR Sections 4410.

*This report is a matter of public record and its distribution is not limited. The report is intended for use in conjunction with the administration of ETP Agreement No. ET03-0344 and should not be used for any other purpose.*

# ATTACHMENT A - Appeal Process

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## 4450. Appeal Process.

- (a) An interested person may appeal any final adverse decision made on behalf of the Panel where said decision is communicated in writing. Appeals must be submitted in writing to the Executive Director at the Employment Training Panel in Sacramento.
- (b) There are two levels of appeal before the Panel. The first level must be exhausted before proceeding to the second.
  - (1) The first level of appeal is to the Executive Director, and must be submitted within 30 days of receipt of the final adverse decision. This appeal will not be accepted by the Executive Director unless it includes a statement setting forth the issues and facts in dispute. Any documents or other writings that support the appeal should be forwarded with this statement. The Executive Director will issue a written determination within 60 days of receiving said appeal.
  - (2) The second level of appeal is to the Panel, and must be submitted within 10 days of receipt of the Executive Director's determination. This appeal should include a statement setting forth the appellant's argument as to why that determination should be reversed by the Panel, and forwarding any supporting documents or other writings that were not provided at the first level of appeal to the Executive Director. If the Panel accepts the appeal and chooses to conduct a hearing, it may accept sworn witness testimony on the record.
    - (A) The Panel must take one of the following actions within 45 days of receipt of a second-level appeal:
      - (1) Refuse to hear the matter, giving the appellant written reasons for the denial; or
      - (2) Conduct a hearing on a regularly-scheduled meeting date; or
      - (3) Delegate the authority to conduct a hearing to a subcommittee of one or more Panel members, or to an Administrative Law Judge with the Office of Administrative Hearings.
    - (B) The Panel or its designee may take action to adopt any of the administrative adjudication provisions of the Administrative Procedures Act at Government Code Section 11370 *et seq.*, for the purpose of formulating and issuing its decision. Said action may take place at the hearing, or in preliminary proceedings.
    - (C) Upon completion of the hearing, the record will be closed and the Panel will issue a final ruling. The ruling may be based on a recommendation from the hearing designee. The ruling shall be issued in a writing served simultaneously on the appellant and ETP, within 60 days of the record closure.
- (c) The time limits specified above may be adjusted or extended by the Executive Director or the Panel Chairman for good cause, pertinent to the level of appeal.
- (d) Following receipt of the Panel's ruling, the appellant may petition for judicial review in Superior Court pursuant to Code of Civil Procedure Section 1094.5. This petition must be filed within 60 days from receipt of the Panel's ruling.

Authority: Section 10205(m), Unemployment Insurance Code; Section 11410.40, Government Code.

Reference: Sections 10205(k), 10207, Unemployment Insurance Code.

Effective: April 15, 1995

**Amended: December 30, 2006**